

Mr. Chairman and Members of the Committee:

On behalf of Commissioner Barnhart I want to thank you for inviting me to discuss Social Security's efforts to implement the new Medicare prescription drug coverage limited-Income Subsidy Program. I am Linda McMahon, Deputy Commissioner for Operations at the Social Security Administration (SSA). While I have been in my current position since November 2001, I have been with SSA for the past fifteen years.

SSA has already done a great deal to assist limited-income Medicare beneficiaries in receiving extra help with their prescription drugs through the new Medicare prescription drug coverage, and we will continue this mission with a firm commitment to the public we serve. As Commissioner Barnhart has said, "Together, we can make sure no one has to make the difficult choice of spending their limited income on prescription drugs or other basic needs."

## **Background**

To begin, it may be helpful to describe Social Security's role and responsibilities regarding the new Medicare prescription drug coverage. This will provide the context to further describe SSA's activities in getting limited-income people the extra help intended by Congress.

As you know, the Medicare Modernization Act, or MMA, enacted in December 2003, established the new Medicare prescription drug benefit. The new Medicare prescription drug coverage was designed to allow all people with Medicare an opportunity to voluntarily enroll in prescription drug coverage. MMA also provided an extra level of assistance for people with Medicare who have limited incomes and resources in helping to pay for the monthly premiums and cost-sharing that are required by the new Medicare prescription drug coverage. This assistance is the limited-income subsidy, or “extra help,” as it is frequently called.

The responsibility for enrolling individuals for the prescription drug coverage is a joint effort between the Department of Health and Human Services (HHS) and private insurance companies, which establish Prescription Drug Plans (PDPs) for that purpose. Individuals who were already eligible for Medicare and full Medicaid benefits were automatically enrolled by the Department of Health and Human Services in the subsidy, and did not need to apply. They were also auto-enrolled in a plan in November 2005.

SSA was given the responsibility by Congress to take extra help applications and to make eligibility determinations for individuals who were not automatically eligible. In order to be eligible for the subsidy, individuals must have incomes below 150 percent of the poverty level applicable to their corresponding household size, and resources of less than \$11,500 for single individuals or \$23,000 for married couples.

Individuals with incomes between 135 percent and 150 percent of poverty are eligible for a subsidy amount based on a sliding scale. Individuals with incomes below 135 percent would be eligible for full premium subsidies, with no annual deductibles.

Additionally, SSA was charged by Congress with the collection of premiums for the prescription drug program itself, in cases where beneficiaries tell the prescription drug plans when they enroll that they want their premiums withheld from monthly Social Security benefits. This withholding of premiums is similar to the function SSA already performs for beneficiaries in the withholding of other Medicare premiums.

SSA was given these responsibilities because of its network of nearly 1,300 offices with 35,000 employees across the country, and because of its already existing role in administering some parts of the Medicare program. Over the past 70 years, SSA has gained a reputation for helping citizens in the communities where they live, and Congress realized that SSA's presence "on the ground" would be vital in the launch of the Medicare extra help program.

Also, the limited-income subsidy was designed with many similarities to the Supplemental Security Income (SSI) program, a means-tested assistance program for low-income aged, blind and disabled individuals, which SSA has administered for more than 30 years.

## **Development of Extra Help Application**

Upon passage of MMA, Social Security immediately began planning for the implementation of the limited-income subsidy. We recognized from the onset that development of a simplified application for the extra help was essential for successful implementation. Thus, our goals were to develop an application that elderly and disabled Medicare beneficiaries, their caregivers, or other third party assistance providers would be able to understand and easily complete. SSA also wanted to maximize the use of automation, not only to process these forms efficiently, but also to process them in a timely manner.

To accomplish these goals, SSA conducted substantial testing of the extra help application form. The paper application changed significantly over time, going through many drafts before being finalized. Social Security, in collaboration with CMS, conducted focus groups with current Medicare beneficiaries to test potential applicants' understanding of the application, and conducted special cognitive testing of the subsidy application and design engineering evaluations. We also discussed various draft versions of the application with national and local advocacy groups and with State Medicaid Directors.

Our Office of Systems staff contributed to the design of the application as well, to make sure that the information on the form could be electronically scanned into our computers, thereby minimizing the number of employees needed to process incoming forms.

Realizing the need to reach our beneficiaries in new ways, SSA worked to develop alternatives to the traditional paper-based application. In July of last year, we had unveiled the Internet version of the application located at [www.socialsecurity.gov](http://www.socialsecurity.gov), allowing people to apply online for help with Medicare prescription drug plan costs. The online application has been a tremendous success, receiving one of the highest scores ever given to a public or private sector organization by the American Customer Satisfaction Index (ACSI). More than 2,000 Internet applications are being filed daily.

Telephone inquiries were also part of our efforts to make the extra help application process as simple as possible. Extensive training was provided to assist our teleservice representatives in answering subsidy-related questions. We also developed an automated application-taking system, allowing the teleservice representatives to refer callers directly to specialized claims-taking employees, who could then take applications by phone. This new system allows individuals calling our 1-800 number to immediately file for the extra help.

We also developed a computer matching process with the Internal Revenue Service (IRS) regarding the validation of certain income information provided by applicants. Using this computer match allowed SSA to build an application process that would not require applicants to submit proof of resources and income, as long as the applicant's statement on the application was in substantial agreement with the computer records.

In summary, although means-testing is by its very nature complex, we believe that we have created a simple application process, which allows individuals to apply for the extra help as quickly and easily as possible, while also taking advantage of current technology.

## **Outreach Efforts**

I would now like to turn to the efforts SSA has undertaken to inform beneficiaries about the extra help available for prescription drugs. Efforts to educate the public about the new, extra help program began almost immediately after passage of MMA, and this outreach continues today. SSA has worked with CMS and other Federal agencies, community based organizations, advocacy groups, and State entities in order to spread the word about the available extra help.

During the past year, more than 66,000 Medicare outreach events have been held by SSA. Targeted application-taking events were held in Social Security offices throughout the country, and personal invitations to these events were mailed to beneficiaries who had not yet applied for the extra help, but had been identified as being potentially eligible for the program.

We continue to work with States that have their own pharmaceutical programs, State Health Insurance Programs, Area Agencies on Aging, local housing authorities, community health clinics, PDPs, and others

to identify people with limited income and resources who may be eligible for the extra help.

Throughout these efforts, SSA's goal has been to reach every potentially-eligible Medicare beneficiary multiple times, in a variety of ways, for example, by targeted mailings, follow up phone calls, and targeted events. And while we are confident we have taken appropriate steps to reach out to those who may be eligible for the extra help, our outreach efforts will continue throughout the initial enrollment period (which ends May 15, 2006) and beyond.

### **Additional Outreach & Mailing of Subsidy Applications**

Although the new Medicare prescription drug coverage did not begin until January 2006, SSA began mailing applications to individuals who were potentially eligible for extra help in May 2005. During the following three months, we mailed almost 19 million applications. Our goal was to have as many potentially eligible limited income Medicare beneficiaries as possible file for the extra help before the Medicare prescription drug program started in January 2006.

We also intended to cast the widest net possible in our efforts to reach the public. Thus, we sent the 19 million applications to potentially eligible individuals, even though we knew that not all of this group would meet the income and resource requirements. This initial effort also allowed us to begin making eligibility determinations for the extra help as early as July 2005.

As much as the initial mailing of applications was important, follow-up contacts with those individuals who did not return the application was just as important. We contracted with a vendor to remind individuals of the availability of the extra help program and to ask if they needed assistance. Of the 9.1 million people who were called by the vendor, 800,000 had applications resent to them, and 400,000 requested assistance and were referred to SSA. In addition, 5 million follow-up notices were sent because the vendor could not locate a phone number for the individual (for example, an individual who was displaced by Hurricane Katrina).

### **Success So Far**

As of January 27, SSA has received applications from almost 4.4 million beneficiaries, of which almost 700,000 were unnecessary, because either the applicants were automatically eligible or because they had filed more than one application. We have made over 3.4 million determinations on the eligibility for extra help, and have now found nearly 1.4 million of these individuals eligible. We have also notified the individuals who filed unnecessary applications of their current eligibility.

While we are proud of the initial success that we have had with helping so many beneficiaries pay for their prescription drugs, there is much more that we need to do. Commissioner Barnhart has made it clear that we need to continue to aggressively promote this valuable benefit,



and to this end, we continue to look for ways to reach those eligible for the extra help program.

As an example of SSA's ongoing activities, we are contacting beneficiaries who have requested that premiums for the new Medicare prescription drug coverage be withheld from Social Security benefits and who were also mailed a subsidy application that they did not return. SSA is planning to contact them by phone or by mail, to see if we can assist them in applying for the extra help.

SSA is also examining other ways in which we might reach individuals who could be assisted by the extra help program. We are currently working to establish cooperative projects with tax preparers, who deal with people filing for the Earned Income Tax Credit, to see if they would screen for the extra help.

Additionally, we continue to use Agency mailings to inform the public. For example, the cost-of-living adjustment notice that was sent in December 2005 to 52 million Social Security beneficiaries contained information about the new drug program and the availability of extra help. The 4.2 million letters SSA sent to individuals potentially eligible for Medicare Savings Programs, during September and October 2005, also contained information about the subsidy.

While SSA has no direct role in assisting individuals in either selecting or enrolling in PDPs, we have also provided instructions to the field offices on how to make sure those with the new Medicare prescription

drug coverage questions are directed to the resources they need. In some cases this means our employees will simply refer the questioner to 1-800-MEDICARE, or to the beneficiary's PDP provider, but in other cases it means making a personal call to state coordinators, reprinting and faxing award notices, and even making emergency calls to CMS Regional Offices.

In short, we are committed to doing whatever we can to help make this new program accessible to our beneficiaries.

## **Conclusion**

In conclusion, I want to express Commissioner Barnhart's thanks, and my personal thanks, to Congress for providing SSA with the resources we have needed to begin this challenging process. Your assistance in FY04 and FY05 has made possible the hiring of more than 2,500 employees to work on implementation of MMA provisions. It has allowed extensive training of thousands of employees, and made possible the design of critical new computer systems capable of storing and exchanging information related to the new Medicare prescription drug coverage. It has also allowed us to work toward implementation of all of the MMA provisions that have been assigned to SSA. Your support has truly been crucial.

We look forward to a continued dialogue with your Committee as we progress with implementation of the extra help program. We very much want to hear your ideas. While we have found that there is no

single contact method that guarantees success, we have learned that the more times we reach these limited-income beneficiaries, the more we are able to help them.

Thank you, and I will be glad to answer any questions you may have.